

FISCAL NOTE

Bill #: HB0766

Title: Revise laws governing noxious weed management on state trust land

Primary Sponsor: B. Wiseman

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
State Special Revenue	\$609,700	\$609,700
Revenue:		
State Special Revenue	\$609,700	\$609,700
Net Impact on General Fund Balance:	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Natural Resources and Conservation (DNRC)

1. The Trust Land Management Division of the DNRC manages leasing activities for agriculture and grazing, minerals, and real estate programs.
2. The agriculture and grazing program has approximately 4,775,000 acres under lease. The minerals management program has approximately 1,300,000 acres under lease for mineral exploration or production. The real estate management program has approximately 22,000 acres under lease for a variety of activities, including conservation, residential, commercial, and industrial uses.
3. The combined lease acreage from all three programs would total approximately 6,097,000 acres (includes surface and subsurface acres) per year.
4. The separate fee for noxious weed control is \$0.10 per acre for 6,097,000 acres, which would result in approximate annual revenue of \$609,700.
5. Mailing cost for 3,200 lease invoices is \$1,024 (3,200 X \$0.32). An estimated 15 percent will require follow-up notices (3,200 X 15% = 480). The mailing cost for these notices will be \$154 (480 X \$0.32 = \$154). An estimated 10 percent of these notices will require lease default notifications (480 X 10% = 48). Default notifications must be sent by certified mail to all lessees of record. The average number of lessees per lease is 1.6. Mailing costs for the default notifications will be \$768 (48 X 1.6 X \$10 = \$768). Of

Fiscal Note Request HB0766, As Introduced

(continued)

these notifications, an estimated 5 percent will require administrative hearing ($48 \times 5\% = 2.5$, round down to 2). At an approximate cost of \$1,500 per hearing, annual hearing costs will be \$3,000 ($2 \times \$1,500$). The total annual processing cost estimate is \$4,946.

6. It is assumed that the DNRC would collect this additional revenue in a state special revenue account administered by the Department of Agriculture.

Department of Agriculture (DOA)

7. Administrative costs assessed against the collected revenue, at 12 percent, would generate \$73,164 ($\$609,700 \times 0.12 = \$73,164$).
8. The remaining funds in the account would be available for weed grants.
9. The average funding for a Noxious Weed Trust Fund Local Cooperative grant in FY 2004 was \$23,500. DNRC grants allocated from the remaining funds in similar amounts would fund about 23 grants annually.
10. Administrative costs for managing a Noxious Weed Trust Fund grant are about \$2,100 per grant. The administrative costs for the DOA to manage 23 DNRC grants would be approximately \$48,300 ($\$2,100 \times 23 = \$48,300$). DOA may incur increased costs and staffing needs depending on the number of grant applications from DNRC lessees (See Technical Notes). Excess operating funds ($\$73,164 - \$48,300 = \$24,864$), if any, after increased costs associated with increased number of grant applications, could be provided to DNRC for work on weed management activities by DNRC staff.

FISCAL IMPACT:

Department of Agriculture (DOA)

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$73,164	\$73,164
Grants	<u>\$531,590</u>	<u>\$531,590</u>
TOTAL	\$604,754	\$604,754

Funding of Expenditures:

State Special Revenue (02)	\$604,754	\$604,754
----------------------------	-----------	-----------

Revenues:

State Special Revenue (02)	\$604,754	\$604,754
----------------------------	-----------	-----------

Department of Natural Resources and Conservation (DNRC)

Expenditures:

Operations	\$4,946	\$4,946
------------	---------	---------

Funding of Expenditures:

State Special Revenue (02068-Noxious Weeds)	\$4,946	\$4,946
---	---------	---------

Revenues:

State Special Revenue (02)	\$609,700	\$609,700
----------------------------	-----------	-----------

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	\$0	\$0
----------------------------	-----	-----

Fiscal Note Request HB0766, As Introduced

(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Availability of grant funds for DNRC lessees could increase workload for county weed districts because local administration of grants would likely be coordinated through county weed districts.

TECHNICAL NOTES:

Department of Agriculture (DOA)

1. DNRC has approximately 6,000 leases. If 10 percent of the lessees applied for a weed grant, DOA would process 600 applications in addition to the 100 grants DOA currently processes annually under the Noxious Weed Trust Fund (NWTF) grant program. There may be an increase in staff time and operating costs by DOA to process applications and award grants related to DNRC lessees.

Department of Natural Resources and Conservation (DNRC)

2. The language in the current DNRC lease contracts requires the lessee to manage and maintain the weeds. The annual lease fee established through rules has accounted for this contractual obligation. By requiring the lessee pay an additional fee specifically for weed management, it could be argued HB 766 transfers the responsibility for weed management to the department.
3. Section 3 of HB 766 would impose a weed management fee on mineral lessees for approximately 1.1 million acres of state land on which they have conducted no activity, and for which they likely would not have contributed to weed management problems. Mineral leasing, exploration, and development is inherently speculative. It is common for the amount of productive acreage to be a small portion of the total acreage under lease. Of the 1.3 million acres of state land under mineral lease, only 200,000 acres produce minerals. Further, the acreage physically utilized for production activities is only a portion of the 200,000 productive lease acres.
4. Approximately 20 percent of the 6.2 million acres of school trust mineral ownership is split-estate, wherein the state does not own the surface. Section 3 would also impose a weed management fee on mineral lessees on approximately 260,000 acres (1.3 million acres X 20%), where there is no corresponding state land ownership. Assuming 25 percent of the productive lease acres is associated with physical activity, a weed management fee of \$0.10 per acre leased generates the equivalent of \$2.60 per active acre.